

**Washington State Department of Financial Institutions**

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NEWS FOR IMMEDIATE RELEASE

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**Work-At-Home Scams Targeted in Federal/State  
"Business Opportunity" Crackdown**

**Olympia (6-20-02)** Washington state's Securities law enforcers have joined in a coordinated scam-busting operation involving 16 states and two federal agencies -- the Department of Justice and the Federal Trade Commission. The crackdown is also aimed at educating consumers about work-at-home schemes that promise more than they deliver, or that are outright frauds.

Washington Securities Division Director Deborah Bortner says her staff and the FTC used undercover investigators to identify business opportunity ads that didn't comply with state laws and the federal Franchise Rule. Posing as prospective investors, investigators listened to sales pitches hyping the supposed "opportunity" and its earnings potential.

The FTC Investigators were given "references" -- supposedly successful business owners who could verify the earnings claims. Some turned out not to be business owners or operators, but "shills" -- actors paid to pose as successful owners.

"By taking action when we first got word of something that wasn't meeting our standards," Bortner says, "we were able to stop most of these scams before they'd taken in many Washington buyers." She encourages state residents considering a business or work-at-home opportunity to "check them out before writing a check."

The "opportunities" promoted ranged from envelope stuffing at home to snack and soda vending machine operations. In some cases, such as medical billings work-at-home plans, the sellers overstate the demand for services. In others, such as selling vending machines, the operators misrepresent the amount of assistance they'll provide to buyers. All of the schemes have one thing in common: unproven or deceptive earnings claims.

Deceptive sales practices were used in six such cases that were halted by her staff in the past few months, Bortner says, and most promoters were alleged to have violated disclosure, antifraud, and registration provisions of the Business Opportunity Fraud Act.

"Washington law requires business opportunity sellers to register with the Securities Division before making offers in the state," Bortner points out, "and

buyers have the right to receive written disclosures about the offer, as well as a seven-day cooling off period to decide whether to buy or not."

The division entered into a Consent Order ([SDO-101-01](#)) stopping Liberty Vending of Salt Lake City, Utah from continuing to do business here. The company sold table-top candy machines to 144 Washington buyers, claiming they could earn \$150 per machine per month, and achieve "that glorious state we refer to as FINANCIAL FREEDOM." Buyers paid at least \$299 per machine. For allegedly violating the state's disclosure, antifraud, and registration statutes, Liberty Vending paid \$1,000 in investigation costs and agreed to register and comply with the rules if they do business here again.

A New York firm, Four Vend, Inc., was ordered to stop doing business here ([SDO-89-01](#)) after an ad placed in a Tri-Cities newspaper prompted one state resident to buy 10 vending machines for \$4,000. The buyer said the machines sent weren't the ones he'd ordered and the company's promise of help in placing the machines turned out to be overstated and ineffective. Another vending machine seller and placement service, Global Vending, Inc., of Florida, was ordered to stop ([SDO-37-02](#)) selling table-top candy machines that they promised would generate \$1,400 each per year with "unlimited growth potential." Buyers had to buy ten machines for \$6,495.

Two promoters of work-at-home envelope-stuffing businesses were ordered to stop doing business here as part of the business opportunities sweep. Consumer Services, a Massachusetts firm, was halted ([SDO-81-01](#)) for allegedly failing to register under provisions of the Business Opportunity Fraud Act. D & D Global Enterprises, of Austin, Texas, promised that those registering for their program would earn \$770 a week stuffing envelopes. In a consent order ([SDO-74-01](#)), the firm agreed to disclose the order in any future registration with the state for five years, and paid the division \$500 in investigation costs.

"Before putting money into any investment," Bortner advises, "check with the Securities Division to see if it's registered and whether the person selling it is properly licensed and has a good record." Washington's Securities Division may be contacted by calling 1-800-372-8303 (toll free in Washington) or you can visit them on the Web at [www.dfi.wa.gov](http://www.dfi.wa.gov).